

**QUAD COMMUNITIES
DEVELOPMENT CORPORATION**

SPECIAL SERVICE AREA #47

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(With Independent Auditors' Report on
Compliance with City Requirements)**

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

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**Independent Auditors' Report on Compliance with
City Requirements for the Special Service Area #47**

The Commissioners of Special Service Area #47 of
Quad Communities Development Corporation

We have audited the balance sheets of Special Service Area #47 of Quad Communities Development Corporation ("QCDC") as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Special Service Area # 47 of QCDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Special Service Area #47 of QCDC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements were presented to present the operation of Special Service Area # 47 of QCDC as described in Note 1, and are not intended to present the financial position and change in net asset of QCDC.

In our opinion, financial statements referred to above present fairly, in all material respects, the financial position of Special Service Area #47 of QCDC as of December 31, 2010 and 2009, and changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements of Special Service Area #47 of QCDC taken as a whole. The accompanying statement of revenues and expenditures with budget comparisons for the year ended December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The accompanying summary schedule of findings has not been audited by us and, accordingly, we express no opinion on it.

Alexander Munnich & Company, PC

April 11, 2011

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

BALANCE SHEETS

AS OF DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 293,908	\$ 267,233
Levy receivable	38,209	9,764
Due from affiliate-QCDC	8,711	-
Prepaid expense	<u>10,000</u>	<u>-</u>
Total Assets	<u>\$ 350,828</u>	<u>\$ 276,997</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 14,413	\$ 17,000
Due to affiliate - QCDC	-	50,396
Recoverable grant loan payable	<u>-</u>	<u>49,292</u>
Total Liabilities	14,413	116,688
<u>NET ASSETS</u>		
Unrestricted	<u>336,415</u>	<u>160,309</u>
Total Liabilities and Net Assets	<u>\$ 350,828</u>	<u>\$ 276,997</u>

The accompany notes are an integral part of these financial statements.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Revenue:		
City of Chicago	\$ 359,110	\$ 328,171
Interest income	<u>24</u>	<u>-</u>
Total revenue	<u>359,134</u>	<u>328,171</u>
Expenses:		
Display ad	2,995	-
Special events	8,940	316
Trash removal service	102,584	68,000
Other: shuttle	-	29
Landscaping	4,100	-
SSA #47 start up costs	-	49,586
Audit/bookkeeping	5,530	5,000
Office equipment/maintenance	1,000	-
Office rent	4,800	4,800
Office supplies	1,500	1,500
Office utilities/telephone	2,400	2,400
Postage	1,000	1,000
Office printing	2,230	2,000
Service provider staff compensation	<u>64,641</u>	<u>33,231</u>
Total expenses	<u>201,720</u>	<u>167,862</u>
Change in net assets	157,414	160,309
Net assets at beginning of year	<u>160,309</u>	<u>-</u>
Prior period adjustments	18,692	-
Net assets restated at beginning of year	<u>179,001</u>	<u>-</u>
Net assets at end of year	<u>\$ 336,415</u>	<u>\$ 160,309</u>

The accompanying notes are an integral part of these financial statements.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 157,414	\$ 160,309
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Prior period adjustments	18,692	-
Changes in assets and liabilities:		
Increase in levy receivable	(28,445)	(9,764)
Increase due from affiliate-QCDC	(8,711)	
Increase in prepaid expense	(10,000)	
(Decrease) increase in accounts payable	(2,587)	17,000
(Decrease) increase in due to affiliate - QCDC	<u>(50,396)</u>	<u>50,396</u>
Net cash provided by operating activities	<u>75,967</u>	<u>217,941</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from recoverable grant loan	-	49,292
Payment of recoverable grant loan	<u>(49,292)</u>	<u>-</u>
Net cash (used by) provided by financing activities	<u>(49,292)</u>	<u>49,292</u>
Net increase in cash	26,675	267,233
CASH AT BEGINNING OF YEAR	<u>267,233</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 293,908</u>	<u>\$ 267,233</u>

The accompanying notes are an integral part of these financial statements.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

1. Nature of Business :

The Quad Communities Development Corporation (“QCDC”) was created in 2003 to provide community services, in addition to those provided by the City of Chicago to the Quad Communities Development Corporation which is the industrial area bounded by Cottage Grove Avenue from 40th Street on the north to 51st Street on the south and along 47th Street from Lake Park Avenue on the east to St. Lawrence Avenue on the west. On September 8, 2008, the City Council of the City of Chicago enacted an ordinance, which established an area known and designated as City of Chicago Special Service Area Number 47 and authorized the levy of an annual tax not to exceed an annual rate of three percent of the equalized assessed value of the taxable property therein to provide certain special services in and for the area in addition to the services provided by and to the City of Chicago generally. The area designated as Special Service Area #47 included the identical boundaries defined by the Quad Communities Development Corporation when it was created in 2003.

The special services authorized in the Ordinance included but not limited to maintenance and beautification activities; new construction; coordinated marketing and promotional activities; parking and transit programs; area strategic planning; business retention/recruitment initiatives; building façade improvements; security services; social services; and other technical assistance activities to promote community and economic development which was commensurate with the services provided by Quad Communities Development Corporation. The Commissioner of the City of Chicago’s Department of Planning and Development was authorized to enter into an agreement to appoint Quad Communities Development Corporation as the Service Provider for the Special Service Area #47. All activities of the Special Service Area #47 are carried out by the Quad Communities Development Corporation.

The Agreement with the City of Chicago requires an annual independent audit of Special Service Area #47’s operations. Accordingly, the accompanying financial statements were prepared to present the operations of Quad Communities Development Corporation’s Special Service Area and are not intended to present the financial position and change in net assets of Quad Communities Development Corporation.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS
(Continued)

YEARS ENDED DECEMBER 31, 2010 AND 2009

2. Significant Accounting Policies (Continued):

(a) **Basic Financial Statements**

Generally accepted reporting standards for nonprofit organizations state that the basic financial statements include a statement of financial position, a statement of activities, and a statement of cash flows.

In order to accommodate the standard requirements and the requirements of the Department of Planning and Development, the statements included with the Independent Auditor's Report are a statement of financial position re-titled to Balance Sheet, a Statement of Activity and Changes in Net Assets, and a Statement of Cash Flows. A Statement of Revenue and Expenditures with budget comparisons is also included.

(b) **Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates.

(c) **Revenue**

Special Service Area #47 of QCDC provided for the authorization of a levy of an annual tax not to exceed an annual rate of three percent (3%) of the equalized assessed value of the taxable property therein to cover the cost of special services provided for in the ordinance.

(d) **Income Tax Status**

QCDC is a nonprofit Illinois corporation and exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the operations of Special Service Area #47 are exempt from income taxes.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

NOTES TO FINANCIAL STATEMENTS

(Continued)

YEARS ENDED DECEMBER 31, 2010 AND 2009

3. Levy Receivable:

Levy receivable consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
2009 Levy	\$ 38,209	\$ -
2008 Levy	<u>-</u>	<u>9,764</u>
Total Levy Receivable	<u>\$ 38,209</u>	<u>\$ 9,764</u>

Levy receivable are deem collectible within the next calendar year.

4. Recoverable Grant Loan Payable:

At December 31, 2010 and 2009, recoverable grant loan payable of \$0 and \$49,292, respectively consist of the startup cost for the Special Area Funding from Local Initiative Support Corporation bearing no interest. The note matures on December 31, 2010.

5. Concentration of Credit Risk:

Special Service Area #47 of QCDC maintains its cash in bank account deposit account which, at times, may exceed federally insured limits. Management has not experienced any losses in such accounts. At December 31, 2010 and 2009, cash exceeding federally insured limit by \$43,908 and \$17,233, respectively.

6. Prior Period Adjustments:

Prior period adjustments consist of 2008 levy collections received during the year of 2010.

7. Subsequent Events:

Special Service Area #47 of QCDC has evaluated events through April 11, 2011, the date of the issuance of the financial statements were available, and has determined that there were no subsequent events to be recognized in these financial statements.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Favorable (Unfavorable)
REVENUE:			
Fee Income	\$ 359,110	\$ 359,110	\$ -
Carryover Funds	43,440		(43,440)
Interest Income	-	24	24
Total Revenue	402,550	359,134	(43,416)
EXPENDITURES:			
<i>Advertising & Promotion</i>			
Display Ads	6,000	2,995	3,005
Holiday/Seasonal Promotions	2,000	-	2,000
Print Materials	4,000	-	4,000
Special Events	14,000	8,940	5,060
Website/Technology	9,000	-	9,000
Service Provider Direct Services	7,910	7,211	699
	42,910	19,146	23,764
<i>Public Way Maintenance</i>			
Trash Removal Service	115,000	102,584	12,416
Service Provider Direct Services	7,200	6,564	636
	122,200	109,148	13,052
<i>Public Way Aesthetics</i>			
Decorative Banner Purchases/Installation/Maintenance	10,000	-	10,000
Landscaping	20,940	4,100	16,840
Service Provider Direct Services	7,200	6,564	636
	38,140	10,664	27,476
<i>Tenant Retention/Attraction</i>			
Site Marketing Materials	4,800	-	4,800
Technical Assistance to Business	3,200	-	3,200
Service Provider Direct Services	7,200	6,564	636
	15,200	6,564	8,636
<i>District Planning</i>			
District Branding, Identity Development	8,000	-	8,000
SSA Start-up Costs	60,000	-	60,000
Service Provider Direct Services	8,200	7,474	726
	76,200	7,474	68,726

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION

SPECIAL AREA AREA #47
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Favorable (Unfavorable)
<i>Administrative</i>			
Audit	5,000	3,000	2,000
Bookkeeping	2,500	2,530	(30)
Meeting Expense	2,000	-	2,000
Office Equipment Lease/Maintenance	1,000	1,000	-
Office Rent	4,800	4,800	-
Office Supplies	1,500	1,500	-
Office Utilities/Telephone	2,400	2,400	-
Postage	1,000	1,000	-
Office Printing	2,000	2,230	(230)
Service Provider Staff Compensation	33,200	30,264	2,936
	55,400	48,724	6,676
 Loss Collection	 52,500	 -	 52,500
	52,500	-	52,500
Total Expenditure	402,550	201,720	200,830
 Change in net assets	 -	 157,414	 157,414
NET ASSETS AT BEGINNING OF YEAR	-	160,309	160,309
 Prior Period Adjustment	 -	 18,692	 18,692
NET ASSETS AT BEGINNING OF YEAR, Restated	-	179,001	179,001
NET ASSETS AT END OF YEAR	\$ -	\$ 336,415	\$ 336,415

See independent auditors' report on supplemental information.

QUAD COMMUNITIES DEVELOPMENT CORPORATION
SPECIAL SERVICE AREA #47

SUMMARY SCHEDULE OF FINDINGS
(Unaudited)

YEAR ENDED DECEMBER 31, 2010

We have read the requirements of the Service Provider Agreement between Quad Communities Development Corporation, Contractor, and the City of Chicago.

Based on our understanding of the agreement and the facts surrounding the performance under the agreement, we noted no exceptions. Many contractual items were included in the agreement which dealt with non-accounting and non-financial matters of which we had no knowledge.

The total revenues used during the year ended December 31, 2010, were made available from the budgeted sources in amounts specified in the budget.

Finding-1

Budget allowances were available for all line items for which expenditures were made. The actual spending for all items, except for twenty-one (21) items was equal to or less than the budgeted allowance.

Response

We concur with the finding and in the process of monitoring our expenditures that actual spending for all items equal the budget allowance.

Finding-2

Special Service Area #47 of QCDC for the year ending December 31, 2010 unexpended balance of \$336,415 does not equal to 2011 Budget Carryover of \$159,000.

Response

We concurred with the finding. In future, we will continue to have Budget Carryover to reduce the unexpended balance.

Finding-3

Special Service Area chart of accounts are not being utilized in Special Service Area #47 of QCDC's books and records.

Response

We concurred with the finding. Our accountant will utilize the Special Service Area chart of accounts in Special Service Area #47 of QCDC's books and records.